



Solutions Overview:

SAP Solution Extensions by BlackLine & SAP Central Finance

An exploration of complementary solution capabilities for accounting process automation, financial close management and reporting, and intercompany governance.

SAP Central Finance (cFIN) accelerates the journey to SAP S/4HANA by providing a single source of the truth for reporting and financial consolidation and a foundation for shared services.

BlackLine offers financial close solution extensions for SAP software. Specifically, SAP resells BlackLine solutions—SAP Financial Close Solutions by BlackLine and SAP Intercompany Governance by BlackLine—that help companies make the move to modern accounting by extending SAP software, including SAP Central Finance.

Accounting teams use the BlackLine SAP Solution Extensions to address traditional, spreadsheet-heavy processes that are not sustainable. Customers have credited these functionalities with automating as much as 90% of their manual work and reducing their financial close times by as much as 70%.

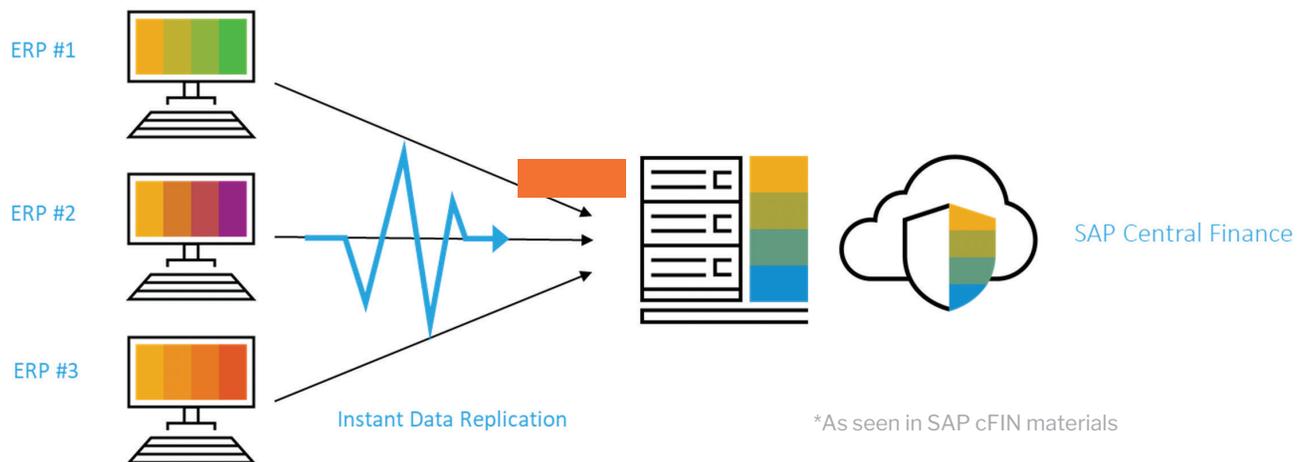
This solutions overview provides you with background on both cFIN and BlackLine functionality and illustrates how companies can harness the power of both to achieve transformational results.



SAP CENTRAL FINANCE IN A NUTSHELL

SAP Central Finance (cFIN) is a deployment option that provides a path to SAP S/4HANA and significant benefits for SAP customers running a heterogeneous ERP landscape, including those customers that frequently engage in M&A activity. The enabling technologies of cFIN (logging, replication, mapping, digitization, posting, error correction, data reconciliation, and back-posting) allow any enterprise, SAP or not, to begin using SAP S/4HANA Finance innovations without having to undergo a full finance replacement or upgrade.

By replicating financial data sourced from SAP and non-SAP ERPs in real time, cFIN simplifies centralized reporting, provides a foundation for shared services, and offers a less disruptive migration to a single SAP S/4HANA Finance instance, reducing risk and accelerating benefits.



WHAT SAP CENTRAL FINANCE SOLVES

Organizations use cFIN to address several needs. Most frequently, it is used to centralize management reporting and provide unified and timely financial data across multiple ERPs. For organizations that have significant M&A activity, it can provide a degree of data and process centralization to enable organizations to retire legacy ERPs over time.

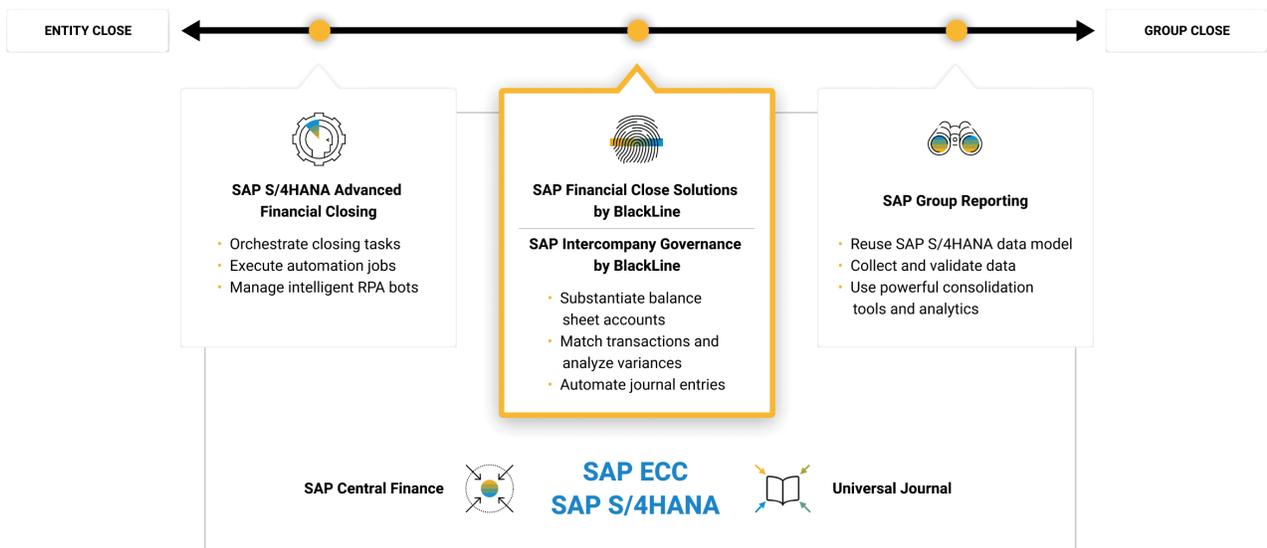
In addition to streamlining ERP migrations by providing an option for unified reporting and data during the transition period, cFIN can also help organizations meet regional statutory reporting requirements when financials from multiple companies must be reported together.

Finally, it enables organizations with shared services operations and multiple ERPs to centralize certain accounting processes such as receivables and payables.

SAP'S FINANCIAL MISSION CONTROL CENTER

SAP Central Finance, coupled with complementary solutions like the SAP solution extensions offered by BlackLine, enables finance transformation. SAP's integrated solutions provide a financial mission control center that modernizes accounting and finance processes from end to end.

While cFIN serves as a single source of the truth for organizations with heterogenous environments, the reporting and insights derived from cFIN are dependent on the completeness and accuracy of the underlying financial data sourced from local ERPs. That data is the result of many activities like closing tasks, journal entries, reconciliations, and analyses typically performed by local or shared services accounting teams. BlackLine's capabilities streamline and automate those extensive local closing processes to ensure speedy and accurate data flows into cFIN.



SAP resells solutions by BlackLine that are central to the SAP Financial Mission Control Center: SAP Financial Close Solutions by BlackLine and SAP Intercompany Governance by BlackLine

BLACKLINE'S SOLUTION EXTENSIONS FOR SAP SOFTWARE

SAP Solution Extensions are strategic third-party solutions developed by independent software partners across all industries and lines of business. Organizations that embrace these solutions can simplify IT complexities while reducing risk, accelerating digital transformation, and future-proofing their SAP investments.

Since 2018, BlackLine, a long-time SAP partner, has offered cloud solution extensions to SAP customers: SAP Financial Close Solutions by BlackLine and SAP Intercompany Governance by BlackLine. These solutions are at the center of SAP's end-to-end offering for Finance.

6 WAYS SAP'S SOLUTION EXTENSIONS BY BLACKLINE AUGMENT SAP CFIN

The capabilities of SAP Financial Close Solutions by BlackLine and SAP Intercompany Governance by BlackLine augment SAP Central Finance in six key areas:

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|---|---|
| <p>1. Local Accounting Productivity</p> | <p>4. Journal Entry Management</p> |
| <p>2. Process Standardization & Automation</p> | <p>5. Intercompany Governance</p> |
| <p>3. Global Balance Sheet Substantiation</p> | <p>6. Auditability & Control</p> |
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1. LOCAL ACCOUNTING PRODUCTIVITY

SAP Central Finance can provide downstream productivity benefits to regional or corporate accounting by reducing or eliminating certain manual steps. **However, the data in cFIN is only as complete as the data replicated from the local ERPs.** Data in those local ERPs is neither complete nor fully accurate until local accounting teams have signed off on the information.

Here's the traditional approach:

- ✦ On a monthly basis, local and corporate accounting teams create, approve, and execute close tasks and control activities that often result in recurring or one-time general ledger postings
- ✦ These local teams are dependent on manual accounting processes such as compiling, ticking and tying, and validating data in spreadsheets
- ✦ Worksteps are approved and information is stored in emails, binders, and shared drives

This is the way it's always been done, and these tasks add days to period-end, unnecessarily consuming FTEs, creating bottlenecks, and delaying the replication of complete data into cFIN. Error-prone local accounting processes also lead to errors and inaccurate information flowing into cFIN.

The SAP solution extensions by BlackLine transform local close activities and make local accounting teams more efficient by:

-  **Unifying both ERP and non-ERP data in the cloud (cFIN is focused on ERP data)**
-  **Automating manual tasks**
-  **Driving accountability through visibility**

Checklists, PBCs, reconciliations, tax filings, controls, intercompany reconciliations, and a variety of other activities traditionally performed in spreadsheets are migrated to the cloud, enhanced, and modernized with technology, making the data in cFIN more complete, accurate, and timely.

“If you are a global organization like us, you have to get your regional or local leaders on board first. Our regional leaders saw what a difference BlackLine would make. They then drove local implementations and compliance.”¹

DEBBIE ROSSER, SENIOR MANAGER, R2R, BRAMBLES

2. PROCESS STANDARDIZATION & AUTOMATION

Customers frequently auto-certify more than 50% of their balance sheet accounts and automate up to 99% of their transaction matching activities.

While certain financial data and processes can be centralized in cFIN, it’s already been noted that those processes are dependent on critical recurring close activities performed at the local level, along with additional steps executed at corporate or regional headquarters.

A top challenge for companies with heterogeneous ERP landscapes is that closing processes frequently lack standardization across the enterprise. Key activities like account reconciliations or journal entries might be performed or documented differently in subsidiary A compared to subsidiary B, for example. This lack of harmonization and automation adds time, limits visibility, and increases the risk of error.

SAP Financial Close Solutions by BlackLine and SAP Intercompany Governance by BlackLine are purpose-built solutions with embedded leading practices such as:

-  **Standardized templates**
-  **Automated transaction matching**
-  **Segregation of duties**

The solutions augment cFIN’s reporting capabilities with their ability to track and report on KPIs like required adjustments, account reconciliations auto-certified, and transactions automatically matched. Customers frequently auto-certify more than 50% of their balance sheet accounts and automate up to 99% of their transaction matching activities.

¹As originally seen in the customer case study at blackline.com/customers

“Historically, we would have allowed each region to customize the technology to its local needs. With a global lead, we used the introduction of BlackLine to drive standardization and improve controls. Some people suggest that you should fix a process before you introduce new technology. In our case, BlackLine’s technology drove us to fix our process.”²

EAMONN MATTHEWS, BUSINESS PROCESS LEAD – ACCOUNTING & REPORTING, THE COCA-COLA COMPANY

3. PROCESS STANDARDIZATION & AUTOMATION GLOBAL BALANCE SHEET SUBSTANTIATION

cFIN centrally stores all FI/CO data and general ledger balances, but it does not validate those balances, nor facilitate the controls around their certification. More importantly, cFIN does not address the corroboration of the completeness and accuracy of ending balances, as the information necessary to do so often resides outside of the source ERP system(s).

The balance sheet substantiation process is critical to an effective control environment, enabling a company’s attestation to the accuracy of financial data each reporting period. This is what a traditional, manual process looks like.

- ✦ **Balance sheet reconciliations are performed manually in spreadsheets**
- ✦ **Reconciliation formats are inconsistent and often contain complex, error-prone formulas**
- ✦ **Supporting documentation and signoffs are stored in binders or shared drives that are difficult to access**
- ✦ **Information is later shared with auditors via email or other manual processes**

Because the process is labor intensive, many companies are unable to complete their substantiation activities in a timely manner, which can result in unidentified errors or control deficiencies. In fact, 55% of CFOs are not completely confident they can identify financial errors before reporting results.³

SAP Financial Close Solutions by BlackLine complements cFIN by transforming this critical process. At the core of the solution is the Account Reconciliation functionality. Here are a few of the benefits it can deliver:

- ✦ **Centralizes all substantiation activities globally**
- ✦ **Provides intelligent workflow for certifications**
- ✦ **Standardizes reconciliations with templates based on account type**
- ✦ **Allows teams to set thresholds, frequencies, and other rules to alleviate effort**
- ✦ **Retains supporting documentation, policies and procedures, and a complete audit trail in the cloud**

²As originally seen in the customer case study at blackline.com/customers

³Metric of the Month: Cycle Time for Monthly Close, CFO.com, 2018
<https://www.cfo.com/financial-reporting-2/2018/03/metric-month-cycle-time-monthly-close/>

“As a global organization, having visibility to the entire balance sheet is a need, the more global we became, the more oversight we needed into the chart of accounts. We were looking for process efficiency around balance sheet control, preparation, and reconciliation.”⁴

JOHN ZIMMERMAN, DIRECTOR OF FINANCIAL DATA SYSTEMS, HERSHEY

4. JOURNAL ENTRY MANAGEMENT

Journal entries are necessary for compliance with accrual-based accounting, as no ERP is capable of automating all financial postings, and many companies record tens of thousands or hundreds of thousands of manual journal entries annually. When journal entries contain errors, are missing, or are not entered in a timely manner, data in cFIN is incomplete or inaccurate. The journal entry process for a global company typically looks like this:

- * **Journal entries are created in spreadsheets or entered directly in the ERP**
- * **Supporting documentation is stored off-line in emails, shared folders, or on hard drives**
- * **Certifications and approvals are managed via e-mail or shared sites**
- * **Processes and thresholds differ across entities and ERPs**
- * **Auditor testing of journal entries is time-consuming and isolating the population subject to testing is challenging**

While there are many ways to post journal entries, only SAP Financial Close Solutions by BlackLine manages the journal entry process from end to end and augments other SAP software by maximizing the opportunity for automation. Specifically, SAP Solution Extensions by BlackLine:

- * **Integrate with other BlackLine functionalities offered by SAP, including Account Reconciliations, Task Management, and Transaction Matching to enable automation of up to 50% of journal entries**
- * **Centralize the journal entry process across all ERPs, SAP and non-SAP**
- * **Connect and post entries directly to SAP via a pre-built connector that validates master data and returns a document number, in real time**
- * **Store a complete audit trail and all supporting documentation in the cloud**
- * **Provide out-of-the-box segregation of duties and enable a more preventive control environment**
- * **Significantly reduce audit testing and preparation**

⁴As originally seen in the customer case study at blackline.com/customers

“We have three ERPs. Each ERP is different. BlackLine has freed up so much of our time during the close. Personally, I spend at most two hours on journals during close week. We do 1,900 SAP journal entries a month in BlackLine. Only 50 are done manually.”⁵

PHILIP MANOFF, SENIOR MANAGER OF ACCOUNTING, PERFORMANCE FOOD GROUP

5. INTERCOMPANY GOVERNANCE

Intercompany accounting is a complex and cross-functional process that often tops companies' lists of record-to-report challenges thanks to high volumes of data, frequent regulatory changes, and tax complexities. M&A activity and other factors often contribute to manual, complex, and reactive intercompany accounting processes, and a heterogeneous ERP landscape only exacerbates intercompany issues.

SAP cFIN provides transparency to intercompany transactions and balances in real-time. This means companies don't need to wait until month-end or consolidation to aggregate details from various source systems to identify and correct out of balances.

cFIN can also provide more robust intercompany reporting and facilitate adjustments after they've been identified. However, data reconciliation and reporting represent a portion of the intercompany process.

To address all aspects of the intercompany process, including agreement, transfer pricing compliance, and facilitation of netting and settlement, additional functionality is needed.

SAP Intercompany Governance by BlackLine is SAP's only end-to-end solution for intercompany. The solution:

-  Provides transparency to intercompany from transaction initiation to netting and settlement
-  Unifies supporting documentation in the cloud
-  Automates intercompany reconciliation, journal entry, and other activities
-  Facilitates synchronous processing across SAP and non-SAP ERPs
-  Allows for dynamic invoicing by jurisdiction and robust intelligent workflow

Rather than identifying errors after they've occurred, SAP Intercompany Governance by BlackLine prevents intercompany issues from occurring with a collaborative and proactive approach.

⁵As originally seen in the customer case study at blackline.com/customers

With traditional manual processes in place, many companies settle intercompany balances without validating or linking back the netting process to the underlying transactions between the impacted entities. Likewise, out-of-balances are often addressed with top-side manual journal entries made in consolidation or after local close.

While these approaches address intercompany balances on the surface, they contribute to organizations taking a conservative approach to tax policy as they lack sufficient documentation to facilitate more efficient, advantageous positions.

By addressing intercompany transactions from initiation until settlement, SAP Intercompany Governance by BlackLine delivers:

-  **Process efficiency**
-  **Improved tax compliance and statutory reporting**
-  **Lower-cost audits**
-  **Stronger group and entity-level controls**

The solution also complements cFIN with easy onboarding of new entities, reduced F/X exposure, and lower risk of misstatement.

6. AUDITABILITY & CONTROL

Companies can simplify their Charts of Accounts and other finance master data by using cFIN as a single source of the truth. Additionally, the replication of a complete population of financial postings and balances into cFIN allows for improved financial reporting controls. However, cFIN does not address local entity financial close controls and is not intended as a solution for facilitating audits.

SAP Financial Close Solutions by BlackLine and SAP Intercompany Governance by BlackLine:

-  **Integrate with other BlackLine functionalities offered by SAP, including Account Reconciliations, Task Management, and Transaction Matching to enable automation of up to 50% of journal entries**
-  **Centralize the journal entry process across all ERPs, SAP and non-SAP**
-  **Connect and post entries directly to SAP via a pre-built connector that validates master data and returns a document number, in real time**
-  **Provide unique auditor roles, which allow internal and external auditors to review and access policies and procedures, workflows, documents, and audit trails in a self-service model**
-  **Save companies hundreds of hours on audits**
-  **Facilitate more transparent PBC management between clients and their auditors**
-  **Reduce audit preparation time by up to 97%**

The SAP solutions by BlackLine also complement cFIN to enable a stronger control environment and replace manual, detective steps with preventive, automated controls.

“The self-service capabilities have been helpful for both internal and external auditors. Previously, auditors had to take up accountants’ time asking them to pull reconciliations. From both an accounting and an audit perspective, having one online repository where everyone can view the information has been a tremendous savings. Before, auditors had to spend money to travel to physical locations, and now they are very happy they can pull all the data in BlackLine and follow up if they have a question. That’s also been a real saver for the company.”⁶

DAN WELCHECK JR., PRINCIPAL, GLOBAL FINANCIAL SYSTEMS GROUP, TIMKEN

THE BEST OF BOTH WORLDS

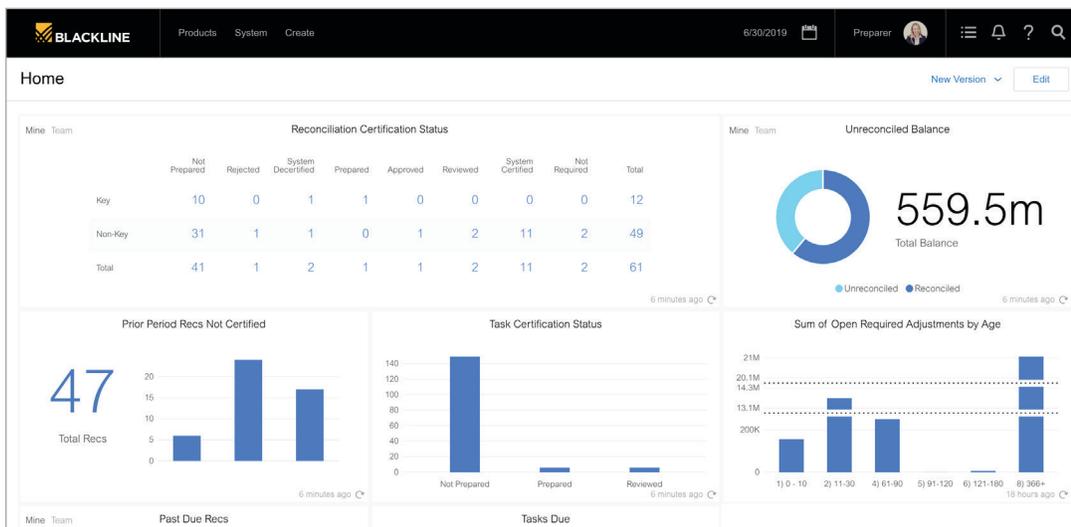
Enterprise-Wide Visibility

With Central Finance and its solution extensions by BlackLine, SAP offers customers with heterogeneous ERP landscapes an end-to-end solution for record-to-report visibility.

cFIN allows for real-time reporting on data from a single source of the truth, enabling more agile decision-making.

SAP Financial Close Solutions by BlackLine and SAP Intercompany Governance by BlackLine provide real-time dashboards and reports for corporate and divisional CFOs, controllers, and local accounting leaders to see the status and risk associated with the close at every level of the organization—including completeness, certification, overdue and aging items, and required adjustments—by entity and much more.

SAP’s cFIN and BlackLine solutions provide business and accounting leaders with innovative solutions that identify issues and bottlenecks, automate processes, and enable faster and better decisions across the enterprise.

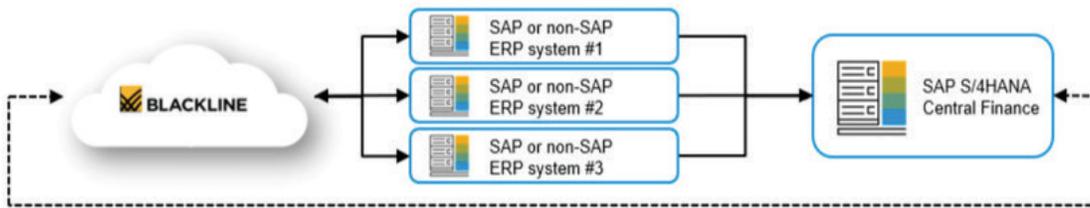


Dashboards and reports from SAP Financial Close Solutions by BlackLine help accounting leaders drive accountability through visibility.

⁶As originally seen in the customer case study at blackline.com/customers

PREMIUM QUALIFICATION & FLEXIBLE, SEAMLESS INTEGRATION

SAP S/4HANA Central Finance & BlackLine Architecture Options



The SAP solution extensions by BlackLine promote streamlined data flow with limited connections and allow for flexible architecture tailored to your requirements.

RAPID DEPLOYMENT

Project duration and payback period are chief complaints among customers undertaking digital transformation initiatives. While transformations can last years and software implementations commonly take several months, SAP solution extensions by BlackLine can be deployed rapidly—often in weeks.

SAP customers credit BlackLine's functionality with providing quick time to value and an impressive 2.77X average ROI. According to a Nucleus Research case study, Meadwestvaco Corporation achieved 495% ROI and a payback period of two months using BlackLine functionalities alongside SAP software.

NEXT STEPS

SAP's solution extensions by BlackLine complement SAP Central Finance to deliver accounting automation, financial close management, and intercompany governance for companies with heterogenous landscapes.

As solution extensions, BlackLine offerings are part of an exclusive tier of SAP's most strategic partner solutions and tightly integrate with your other SAP investments.

Customers that partner with SAP and BlackLine for their finance transformations have access to a global network of expertise and transition to SAP S/4HANA while minimizing disruption and maximizing value.

Visit blackline.com/sap to learn more about SAP solution extensions by BlackLine.